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Will you do a story, mentioning an
analysis of investments and give the auditor's
name

JS

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bill



FIDELITY
MORTGAGE
& SAVINGS
CORPORATION

ANNUAL
REPORT
1966

OFFICERS AND DIRECTORS



OFFICERS

| | | | | | | | |
|-----------------------|---|---|---|---|---|---|------------------------------|
| President | - | - | - | - | - | - | SAM FOSTER ROSS, Q.C. |
| Vice-President | - | - | - | - | - | - | WILLIAM VANALEN HOLTON |
| Vice-President | - | - | - | - | - | - | GORDON EDWARD GRUNDY, F.C.A. |
| Treasurer | - | - | - | - | - | - | FRANK WILTON BAILLIE |
| Secretary | - | - | - | - | - | - | HUGH STRATHEARN HENDRIE |
| Mortgage Manager | - | - | - | - | - | - | FRED SMYTH PAUL |
| Supervisor of Savings | - | - | - | - | - | - | JAMES NEIL WALTON |
| Comptroller | - | - | - | - | - | - | JEFFERSON CHAPLEAU, C.A. |
| Assistant Secretary | - | - | - | - | - | - | JOHN CHARLES SAVCHUK |

DIRECTORS

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---------------|
| *FRANK WILTON BAILLIE | - | - | - | - | - | - | - | Oakville |
| <i>President, Lawrence Motors (Davenport) Limited</i> | | | | | | | | |
| W. ALLAN CAMPBELL, Q.C. | - | - | - | - | - | - | - | Oakville |
| <i>President, Wallace Barnes Co. Limited</i> | | | | | | | | |
| *GEORGE RICHARD CHATER | - | - | - | - | - | - | - | Campbellville |
| <i>President, Grafton's Limited</i> | | | | | | | | |
| *GORDON EDWARD GRUNDY, F.C.A. | - | - | - | - | - | - | - | Ancaster |
| <i>President, Studebaker of Canada, Limited</i> | | | | | | | | |
| HUGH STRATHEARN HENDRIE | - | - | - | - | - | - | - | Burlington |
| <i>Vice-President, Wenagara Corporation Limited</i> | | | | | | | | |
| *WILLIAM VANALEN HOLTON | - | - | - | - | - | - | - | Burlington |
| <i>President, Glendale Spinning Mills Limited</i> | | | | | | | | |
| JAMES ROBERT ALEXANDER LANGS | - | - | - | - | - | - | - | Hamilton |
| <i>President, Langs Foods Limited</i> | | | | | | | | |
| JOHN HYSLOP LUXTON | - | - | - | - | - | - | - | Kitchener |
| <i>Investment Counsel</i> | | | | | | | | |
| MURRAY PROCTOR | - | - | - | - | - | - | - | Hamilton |
| <i>President, Service Steel and Engineering Limited</i> | | | | | | | | |
| *SAM FOSTER ROSS, Q.C. | - | - | - | - | - | - | - | Dundas |
| <i>Partner, Ross & Robinson</i> | | | | | | | | |
| JOHN CAMERON TAIT | - | - | - | - | - | - | - | Burlington |
| <i>President, The Hamilton Lens Company Limited</i> | | | | | | | | |
| * <i>Member of Executive Committee</i> | | | | | | | | |

AUDITORS - - - - - McDONALD, CURRIE & Co.

BANKERS - - - - - CANADIAN IMPERIAL BANK OF COMMERCE



REPORT TO THE SHAREHOLDERS

As in previous years, we have endeavoured in our Annual Report for 1966 to provide sufficient information to enable shareholders and others who may be interested in Fidelity to properly assess Fidelity, including the calibre of its assets, obligations, operations and management, and its future.

Results of Operations

The Year 1966 marked Fidelity's third complete year of operations and for Fidelity it was another year of development, growth and progress. The results for the year are somewhat better than our expectations. After deducting all expenses and costs (including depreciation and amortization), the results of operations for the year show a net profit of \$27,479, which compares with a loss in 1965 of \$26,109.

Fidelity's total assets as at 31st December, 1966 amounted to \$11,304,548 which represented a 38% increase for the year. Of these assets, at year end Fidelity had invested approximately \$3.4 million (31st December 1965 - \$1.9 million) in Government of Canada, Provincial Government and Canadian Municipal Bonds, fully secured demand loans and cash and approximately \$6.9 million (31st December 1965 - \$5.6 million) in its mortgage portfolio. You will also note that Fidelity is administering assets to a value of approximately \$880,000 (31st December 1965 - \$590,000) under agencies on behalf of other persons.

Fidelity's Investments

On pages 9 to 11 of this report you will find an analysis of Fidelity's investments prepared and reported upon by our Auditors. Your Directors feel that this analysis together with the annual audited financial statements, will provide to shareholders, depositors, customers and others who are interested in Fidelity a more comprehensive picture of our company.

(a) Mortgage Portfolio

Fidelity's mortgage portfolio showed a net increase during the year of approximately 23% to \$6.9 million and is in excellent condition. During 1966 interest rates on mortgages increased to historic highs. Fidelity continued lending throughout the year but new mortgages were restricted to loans on single family homes. Excellent loans secured against urban residential properties were obtained at very attractive rates and a number of our existing mortgages were refinanced at increased rates. As a result, the overall yield of Fidelity's mortgage portfolio improved materially to 7.32% (31st December 1965 - 7.16%).

A three year comparative percentage breakdown of Fidelity's mortgage portfolio



with respect to class of security and aggregate loans amounts, number of loans, average size of loan and portfolio yield is as follows:

Class of Security

| | 1964 | 1965 | 1966 |
|---------------------------------|-------------|-------------|-------------|
| Single family dwellings | 90% | 90.5% | 92.4% |
| Multiple dwellings | 6% | 5.5% | 4.5% |
| Commercial and industrial | 4% | 4.0% | 3.1% |
| | <u>100%</u> | <u>100%</u> | <u>100%</u> |
| Number of Loans | 405 | 550 | 666 |
| Average size of Loan | \$10,000 | \$10,100 | \$10,300 |
| Portfolio Yield | 7.1% | 7.16% | 7.32% |

At the date of this report all taxes have been paid in respect of all properties covered by Fidelity's mortgages except for one property on which there is a small balance unpaid, and there is only one mortgage in respect of which the monthly mortgage payment for December 1966 has not been received. We feel it is fair to say that the foregoing information, together with our auditors' analysis establishes that Fidelity's mortgage portfolio is first class and is being well administered.

(b) Bond and Other Investments Portfolio

Because of rising interest rates and uncertain economic conditions, Fidelity's investment policy during 1966 with respect to this portfolio was aimed at short maturities and liquidity. As a result, the portfolio values were maintained as approximately cost or better. At year end the market value of the portfolio was approximately equal to cost and was producing a good overall yield. During the last few months of the year and since year end our liquid position enabled us to take advantage of very attractive yields in Government bonds.

Fidelity's bond and cash portfolio is considerably in excess of the requirements of the Loan Companies Act of Canada and The Loan and Trust Corporations Act of Ontario, which require that approximately 20% of total deposits be held as a liquid reserve and invested in cash and Government bonds or equivalent. Substantially all of Fidelity's bond and other investments portfolio qualifies as such a reserve, and at year end it amounted to approximately 60% of total deposits. During the year Fidelity's statutory reserve never fell below 40% of total deposits and averaged approximately 50%. By maintaining the statutory reserve at such a high level and liquid, it was possible to take advantage of attractive yields as they arose from time to time and this situation is continuing.

Debentures and Deposits

Deposits by the public increased during the year by approximately 37% to \$5.4 million (31st December 1965 - \$3.9 million) and the amount of Fidelity's outstanding



debentures increased by approximately 77% to \$3 million (31st December 1965 - \$1.7 million). These increases were very gratifying, particularly in view of the general economic conditions and a certain uneasiness and concern felt by the public because of difficulties encountered by certain financial institutions. The general tightness and high cost of money required that our debentures and term deposit interest rates be increased to meet competition and this was done where necessary.

Proposed Legislation Related to Deposit Insurance and Banking

The proposed legislation by the Government of Canada to institute Federal Deposit Insurance has been well received by the public and will apply to Fidelity as it is a Federally incorporated company. It is to be hoped that enactment of this legislation and the proposed legislation related to banking will not be delayed as both are required to help restore a settled atmosphere in the financial community of Canada. We have no objection to and, in fact, we welcome the entry of the Chartered Banks into the mortgage field. Free competition is healthy for the participants and good for the country. In the same vein, it is to be hoped that Federal legislation will also be enacted to permit loan and trust companies to enter the consumer loan field under proper Federal supervision and control.

Outlook for 1967

It appears that some of the economic and financial problems and factors which have caused unsettled conditions in the Canadian financial community will be resolved or overcome during 1967. It also appears now that the tight money policy designed to control inflation has made some headway and that the supply of money should increase during the year. This should result in at least a levelling if not a lowering of interest rates during 1967. It also appears that most of the proposed legislation related to banking and deposit insurance will be enacted during the year.

All of these factors should have a favourable effect on Fidelity and its operations during the coming year. Barring unforeseen circumstances, we expect that Fidelity's profit and growth pattern will continue and possibly improve for 1967.

In conclusion, I should again like to publicly acknowledge the tireless, faithful and capable assistance and effort so cheerfully contributed by all employees of the company during the past year.

Yours faithfully,

Sam Foster Ross,
President

On Behalf of the Board
26th January, 1967
Hamilton, Canada

REVENUE, EXPENDITURE AND SURPLUS

for the year ended December 31, 1966



| REVENUE: | 1966 | 1965 |
|--|------------------|------------------|
| Interest—Mortgages | \$445,034 | \$372,792 |
| —Other investments | 110,438 | 27,257 |
| Other operating revenue | 5,175 | 7,437 |
| Net gain on sales of mortgages and bonds | 2,301 | 660 |
| | <u>\$562,948</u> | <u>\$408,146</u> |
| EXPENDITURE: | | |
| Interest on deposits and debentures | \$287,398 | \$155,322 |
| Bank Interest | 3,223 | 27,819 |
| Salaries, pension fund payments and other staff benefits | 126,347 | 123,160 |
| All other operating expenses including commissions, advertising, printing, stationery and rent | 108,121 | 118,994 |
| Depreciation and amortization | 10,380 | 8,960 |
| | <u>\$535,469</u> | <u>\$434,255</u> |
| NET PROFIT (LOSS) for the year (Note) | \$ 27,479 | \$(26,109) |
| ADD: | | |
| Surplus brought forward from previous year | 33,314 | 103,173 |
| | <u>\$ 60,793</u> | <u>\$ 77,064</u> |
| DEDUCT: | | |
| Transfer to mortgage reserve | \$ 16,250 | \$ 13,750 |
| Special expenses related to opening of two branches | — | 30,000 |
| | <u>\$ 16,250</u> | <u>\$ 43,750</u> |
| SURPLUS at end of year | <u>\$ 44,543</u> | <u>\$ 33,314</u> |

NOTE: No income taxes are payable for the year due to application of losses of prior periods.



FIDELITY MORTGAGE A

(Incorporated by Special A

BALANCE SHEET

| ASSETS | | 1966 | 1965 |
|--|--|---------------------|---------------------|
| Cash and demand deposits | | \$ 1,766,127 | \$ 621,583 |
| Bonds at cost: | | | |
| of or guaranteed by the Government of Canada | | | |
| of or guaranteed by the Provinces of Canada | | | |
| of Canadian Municipalities | | | |
| (market: 1966 — \$985,041; 1965 — \$601,847) | | 991,266 | 607,764 |
| Demand loans fully secured | | 651,198 | 660,048 |
| | | <u>\$ 3,408,591</u> | <u>\$ 1,889,395</u> |
| Mortgages | | 6,900,240 | 5,598,333 |
| Prepaid and other | | 9,564 | 6,317 |
| Fixed assets — at cost, less depreciation and amortization | | 102,414 | 102,347 |
| | | <u>\$10,420,809</u> | <u>\$ 7,596,392</u> |
| AGENCIES | | \$ 883,739 | \$ 589,229 |
| | | <u>\$11,304,548</u> | <u>\$ 8,185,621</u> |

We hereby certify that we have examined the financial statement of the Corporation and that to the best of our knowledge and belief such statement is correct and shows truly and clearly the financial condition of the Corporation's affairs.

| | | | |
|---------------|-----------|---|-----------|
| S. F. ROSS | President | } | Directors |
| F. W. BAILLIE | Treasurer | | |
| H. S. HENDRIE | Secretary | | |

SAVINGS CORPORATION

(the Parliament of Canada)

DECEMBER 31, 1966



LIABILITIES

TO THE PUBLIC:

| | 1966 | 1965 |
|---------------------------------------|---------------------|---------------------|
| Deposits and accrued interest | \$ 5,374,405 | \$ 3,932,982 |
| Debentures and accrued interest | 3,007,131 | 1,689,091 |
| Sundry accounts | 54,730 | 17,255 |
| | <u>\$ 8,436,266</u> | <u>\$ 5,639,328</u> |

TO THE SHAREHOLDERS:

| | | |
|--|---------------------|---------------------|
| Capital—Authorized — 500,000 shares of \$10 each | | |
| —Issued and fully paid— | | |
| 180,000 shares | \$ 1,800,000 | \$ 1,800,000 |
| —Issued and 10% paid—50,000 shares | 50,000 | 50,000 |
| | <u>\$ 1,850,000</u> | <u>\$ 1,800,000</u> |
| Reserves: General | 50,000 | 50,000 |
| Mortgages | 40,000 | 23,750 |
| Surplus | 44,543 | 33,314 |
| | <u>\$ 1,984,543</u> | <u>\$ 1,957,064</u> |
| | <u>\$10,420,809</u> | <u>\$ 7,596,392</u> |
| AGENCIES | <u>\$ 883,739</u> | <u>\$ 589,229</u> |
| | <u>\$11,304,548</u> | <u>\$ 8,185,621</u> |

AUDITORS' REPORT TO THE SHAREHOLDERS

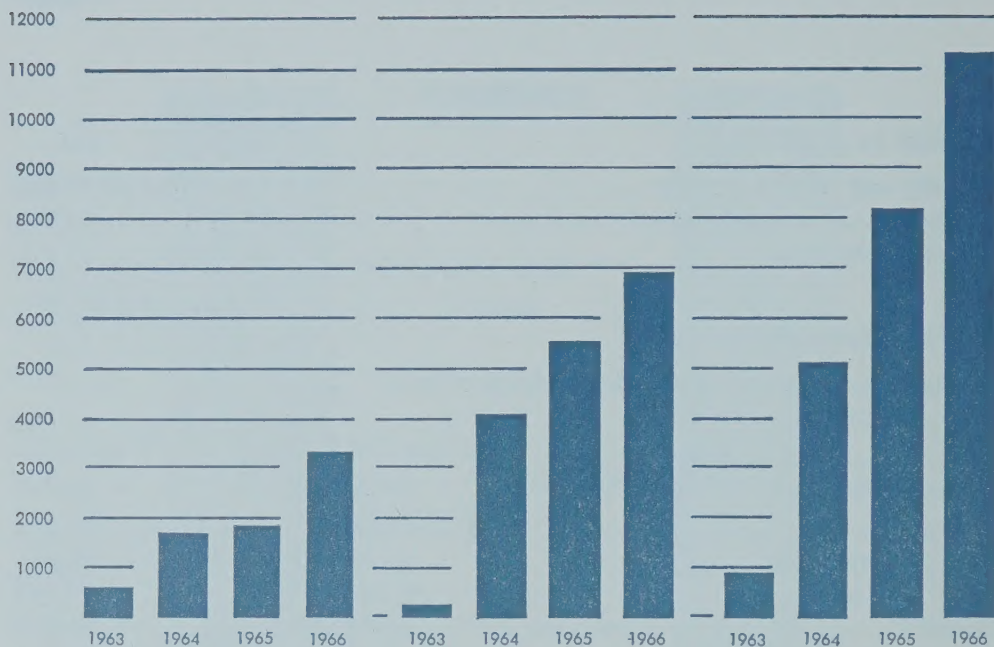
We have examined the balance sheet of Fidelity Mortgage and Savings Corporation as at December 31, 1966 and the statement of revenue, expenditure and surplus for the year ended on that date, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of revenue, expenditure and surplus are properly drawn up so as to exhibit a true and correct view of the state of the Corporation's affairs as at December 31, 1966, and the results of its operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the Corporation.

McDONALD, CURRIE & CO.,
Chartered Accountants.

Hamilton, January 20, 1967.

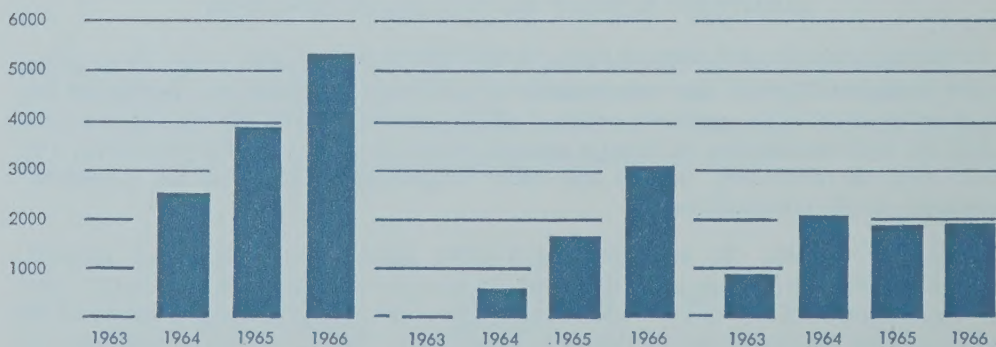
THOUSANDS OF DOLLARS



CASH, BONDS
& SECURED
DEMAND LOANS

MORTGAGES

TOTAL ASSETS



DEPOSITS

DEBENTURES

CAPITAL,
RESERVES &
SURPLUS

ANALYSIS OF INVESTMENTS

as at December 31, 1966



CASH AND DEMAND DEPOSITS

| | |
|--|--------------------|
| Cash on hand and in bank | \$ 260,995 |
| Demand deposits with chartered banks | 1,202,132 |
| Demand deposit with Canada Trust Company | 303,000 |
| | <u>\$1,766,127</u> |

BONDS

| | Mature in | Par | Cost | Market |
|--------------------------------------|-----------|------------------|------------------|------------------|
| Government of Canada | 1967-1969 | \$360,000 | \$360,896 | \$357,425 |
| | 1970 | 50,000 | 49,750 | 50,062 |
| | | <u>\$410,000</u> | <u>\$410,646</u> | <u>\$407,487</u> |
| Province of Ontario | 1967-1968 | <u>\$375,000</u> | <u>\$372,278</u> | <u>\$372,625</u> |
| Canadian Municipalities: | | | | |
| City of Brantford | 1967-1969 | \$ 15,000 | \$ 15,000 | \$ 14,540 |
| | 1970-1971 | 10,000 | 10,000 | 9,458 |
| Town of Burlington | 1967-1969 | 43,050 | 42,054 | 41,769 |
| | 1970-1971 | 16,000 | 15,729 | 15,198 |
| City of Ottawa | 1967-1968 | 55,000 | 55,170 | 53,870 |
| Township of Glanford | 1967 | 10,000 | 9,975 | 9,931 |
| City of Sault Ste. Marie | 1967 | 25,000 | 24,965 | 24,688 |
| Municipality of Metropolitan Toronto | 1967 | 1,000 | 997 | 997 |
| City of Winnipeg | 1967 | 17,000 | 16,974 | 17,000 |
| | | <u>\$192,050</u> | <u>\$190,864</u> | <u>\$187,451</u> |
| | | <u>\$977,050</u> | <u>\$973,788</u> | <u>\$967,563</u> |
| Accrued interest | | 17,478 | 17,478 | 17,478 |
| | | <u>\$994,528</u> | <u>\$991,266</u> | <u>\$985,041</u> |

DEMAND LOANS FULLY SECURED

WITH INVESTMENT DEALERS:

| | |
|---|-----------|
| Secured by 105% or more market value of Government of Canada and Provincial guaranteed bonds and term deposits with chartered banks (4 loans) | \$600,000 |
|---|-----------|

WITH CUSTOMERS:

| | |
|--|------------------|
| Secured by 100% or more market value of Fidelity Mortgage and Savings Debentures, deposits and other marketable securities (43 loans) | 50,204 |
| | <u>\$650,204</u> |
| Accrued Interest | 994 |
| | <u>\$651,198</u> |



ANALYSIS OF INVESTMENTS (continued)

as at December 31, 1966

MORTGAGES

PRINCIPAL BALANCE AND YIELD

| | |
|--|--------------------|
| 666 loans with an average yield of 7.32% (December 31, 1965—7.16%) | \$6,865,302 |
| Accrued Interest | 34,938 |
| | <u>\$6,900,240</u> |

CLASS OF SECURITY

| | Number of loans | Amount | Percentage |
|-------------------------------------|--------------------|--------------------|--------------|
| Single Family Dwellings | | | |
| —under \$10,000 | 380 | \$2,891,059 | 42.1 |
| —between \$10,000 - \$20,000 | 262 | 3,213,705 | 46.8 |
| —between \$20,000 - \$36,000 | 9 | 234,906 | 3.4 |
| | <u>651</u> | <u>\$6,339,670</u> | <u>92.3</u> |
| Multiple Dwellings | | | |
| —under \$20,000 | 2 | \$ 28,013 | .4 |
| —between \$20,000 - \$50,000 | 1 | 45,210 | .7 |
| —between \$50,000 - \$100,000 | 1 | 74,488 | 1.1 |
| —over \$100,000 | 1 | 168,741 | 2.4 |
| | <u>5</u> | <u>\$ 316,452</u> | <u>4.6</u> |
| Commercial and Industrial | | | |
| —under \$20,000 | 5 | \$ 56,105 | .8 |
| —between \$20,000 - \$38,000 | 5 | 153,075 | 2.3 |
| | <u>10</u> | <u>\$ 209,180</u> | <u>3.1</u> |
| | <u>666</u> | <u>\$6,865,302</u> | <u>100.0</u> |

Average loan — \$10,308

GEOGRAPHICAL LOCATION

| | Number of loans | Amount |
|-------------------------------|--------------------|--------------------|
| Hamilton and area | 351 | \$3,385,000 |
| Brantford and area | 195 | 1,811,000 |
| Burlington and area | 78 | 1,042,000 |
| St. Catharines and area | 25 | 412,000 |
| Oakville and area | 8 | 110,000 |
| Caledonia and area | 5 | 56,000 |
| Simcoe and area | 4 | 49,000 |
| | <u>666</u> | <u>\$6,865,000</u> |

ANALYSIS OF INVESTMENTS (continued)

as at December 31, 1966



ADMINISTRATION

Maturities and Method of Payment:

Substantially all loans have five year maturities and are repayable by combined monthly payments of principal, interest and taxes. The principal payments are based on fifteen to twenty-five year amortization plans.

Taxes:

At the date of our report, all taxes have been paid on all properties secured by the loans except in respect of one property on which a balance of \$152 is owing.

Delinquencies:

There are no loans under foreclosure procedures.

As of the date of our report all mortgage payments due to and including December 31, 1966 have been received except for two payments aggregating \$276.

AUDITORS' REPORT

In our opinion, the foregoing analysis of investments is properly drawn up so as to exhibit a true and correct view of the state of the Corporation's investments as at December 31, 1966.

McDONALD, CURRIE & CO.,

Chartered Accountants.

Hamilton, January 20, 1967.



SERVICE AND FACILITIES

SAVINGS ACCOUNTS

Interest paid at $4\frac{1}{4}\%$ on your minimum quarterly balance and credited to your account each April 30th and October 31st.

CHEQUING ACCOUNTS

Interest paid at $3\frac{1}{2}\%$ on your minimum monthly balance and credited to your account each April 30th and October 31st. Chequing privileges are allowed on your account.

DEPOSIT-BY-MAIL FACILITIES

These facilities are available to all our depositors and can be used as a time saving convenience. Postage is paid by the Company both ways.

DEPOSIT RECEIPTS

Interest paid at competitive rates on fixed term deposits for periods up to 364 days. Minimum amount \$5000.

DEBENTURES

Interest paid at competitive rates on terms from 1 to 5 years. Minimum amount \$100. Interest is paid half-yearly or may be compounded and paid at maturity. Debentures may be cashed at par in the event of the death of the holder, at the option of his estate.

TRUSTEE INVESTMENTS

Deposit Receipts and Debentures are authorized Trustee investments. Trustees may open trust savings or trust chequing accounts with the Company for surplus funds.

SAFETY DEPOSIT BOXES

These are available to our customers at reasonable rates and may be used for the safekeeping of securities, valuable documents or personal articles.

TRAVELLERS CHEQUES

Are available in both Canadian and U.S. dollars for the convenience of our customers who travel on vacation or business.

FIRST MORTGAGE LOANS

First mortgage loans are readily available at attractive rates to assist in the purchase of your new home or for building, remodelling, refinancing or consolidation of outstanding debts.

REAL ESTATE APPRAISALS

Our qualified appraisal staff is available to appraise your property for all purposes.

PROPERTY MANAGEMENT

Our management staff is available to manage your revenue producing properties.

AGENCY ACCOUNTS

This is a service designed to assist in the care and management of your investments. This service is particularly helpful to individuals and organizations who lack time or experience and who prefer to be relieved of the details of supervision of their investments.

Fidelity was Incorporated by Special Act of the Parliament of Canada, is licensed by the Minister of Finance of Canada and is under Federal supervision.



Federally Incorporated and Supervised

HEAD OFFICE

39 James Street South, Hamilton, Canada

OFFICES

HAMILTON:

| | | | | | |
|-------------------|---|---|---|---|-------------------------------|
| EXECUTIVE OFFICES | - | - | - | - | 2nd Floor, 42 James Street S. |
| UNDERMOUNT BRANCH | - | - | - | - | 143 James Street South |
| BRANTFORD | - | - | - | - | 28 Market Street |
| BURLINGTON | - | - | - | - | 502 Brant Street |